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SUBJECT: SMALL IS BEAUTIFUL: A/S HERNANDEZ DELEGATION OPENS DOORS  
FOR SMALL-MEDIUM U.S. FIRMS IN HCMC

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**¶1.** (SBU) Assistant Secretary of Commerce Hernandez led a trade delegation of 14 small- and medium-sized U.S. enterprises (SMEs) to HCMC on June 18-20. The delegation's meetings with potential local partners, HCMC officials, and Amcham members generated commercial opportunities and increased understanding of local market realities. Education was a central theme of the mission, with A/S Hernandez speaking at an Intel scholarship ceremony and kicking off Commercial Service (CS) Vietnam's virtual education web fair. HCMC officials acknowledged inflation as a pressing issue, but stressed that the region was still poised for growth, and welcomed further U.S. investment. The delegation noted that the local implementation of policy in HCMC, especially commercial access to telecommunications bandwidth and funding for higher education, lagged behind forward-leaning policy statements they had heard from the Ministries in Hanoi. Overall, the small companies that comprised the mission reported that the focused USG support they received generated the public and private sector access they needed to successfully enter the HCMC market. End Summary.

#### USG Cachet Opens Doors, Teamwork Creates Opportunities

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**¶2.** (SBU) The June 18-20 trade mission of 14 small- and medium-sized enterprises (SMEs) met with potential buyers, distributors, and partners; HCMC officials and AmCham colleagues. Several companies noted that USG backing pried open doors that they, as small companies, could not open themselves. Representatives of a small plastics-processing technology manufacturer, for example, were thrilled about their first meeting with a global footwear company that had ignored previous requests for meetings. Member companies also effectively networked with each other. One participating company, a major recycler of empty print cartridges in Vietnam, has regularly discarded 10 percent of the cartridges that arrived damaged. A trade mission company introduced the recycler to a local plastics' manufacturer, who has agreed to purchase the cartridges for use as feedstock, generating a mutually-beneficial relationship. Companies that were already exporting to Vietnam but had yet to visit here also registered gains. After meeting his Vietnamese customers for the first time, a U.S. hardwood exporter felt comfortable enough to set up a more liberal payment arrangement that will facilitate export growth and help address the "credit crunch" brought on by current macroeconomic circumstances.

#### Taking the Long View

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**¶3.** (SBU) Companies that did not advance specific projects

nevertheless thought that contacts made during the mission would pay future dividends. Two energy-generation equipment companies noted that while the Vietnamese market held enormous potential, they plan to enter the market only upon deregulation of the energy sector and subsequent increases in retail energy prices to market levels. They also noted the uncooperative stance of Vietnam's state-owned energy firm Electricity of Vietnam (EVN).

A diversified US conglomerate seeking to enter the Asian market said the "big picture" knowledge gained and relationships initiated during meetings with GVN officials provided an extremely valuable launching pad which will form the basis of their future Vietnam strategy.

#### "Education Brings Us Together..."

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¶4. (SBU)...said A/S Hernandez, observing that if current projections hold, more than 9000 Vietnamese students will travel to the United States to study this year. Fittingly, he made these opening remarks at the Commercial Service's Vietnam's Virtual Agent Fair, an innovative, low-cost program during which a dozen leading U.S. universities pitched their schools to pre-screened Vietnamese education agents over a web-based technology. At an earlier event where 55 Vietnamese students received engineering scholarships from Intel, the Assistant Secretary lauded the U.S. high-tech giant both for its technical innovation and its corporate social responsibility, as exemplified by the scholarships and the technical support Intel provides to its five Vietnamese partner universities. As another demonstration of the high priority the Vietnamese place on education, a trade-delegation member representing an east coast university said that the ten HCMC-area universities he met with were so receptive to his 'two plus two' undergraduate study and research-scholar exchange programs that he plans to double his university's outreach efforts to Vietnam.

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#### Officials Acknowledge Inflation, But Want US Investment To Continue

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¶5. (SBU) Officials from the HCMC Departments of Planning and Investment, Trade, Industry, Finance, Public Transportation, and the Investment and Trade Promotion Center, as well as Vice Chairman of the People's Committee Mr. Nguyen Huu Tin acknowledged that high inflation is a problem (attributing it primarily to high oil prices and the multiplier effects thereof), but stressed that the underlying economy was still sound and that they welcomed and appreciated investment by U.S. firms. In response to comments from some GVN skeptics that the trade delegation contained no 'giant' companies, AS Hernandez stressed that SMEs employ close to 70 percent of the workers in the United States, and are known for their innovation and productivity. The A/S also highlighted the importance to the bilateral relationship of IPR protection, the rule of law, and Vietnam's adherence to the BTA and WTO trade agreements and asked for transparent consideration of U.S. company proposals. He likewise noted that, although the GVN was asking its citizens to refrain from excessive consumption to combat inflation, he hoped they would make an exception to purchase American products, to help balance the trade deficit.

#### North-South Dissonances

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¶6. (SBU) A U.S manufacturer of satellite-relay technology said that while the Minister of Planning and Investment in Hanoi told the delegation that Vietnam's recently launched communications satellite, Vinasat, was "open for commercial use", subsequent conversations with mobile telephone and Internet service providers in HCMC revealed that none of the providers were even remotely aware of how to apply for access to the satellite's bandwidth. (Note: Only Vietnam Telecom International (VTI), a subsidiary of state-owned Vietnam Posts and Communication currently has access to Vinasat bandwidth; the satellite began operation on June 1, and is still in testing mode. End note.)

Along similar lines, a representative from a U.S. university noted that universities in HCMC with which he had discussions were not aware of scholarship funds and other financial aid that the Minister of Education and Training had described to him in Hanoi. The Assistant Secretary broached this dissonance in meetings with HCMC officials, noting that while ministerial meetings in Hanoi gave the trade delegation a clearer picture of Vietnam's regulatory structure, private and public sector discussions in HCMC occasionally revealed conflicting interpretations. The A/S offered FCS as an information conduit to facilitate coordination between Hanoi and HCMC agencies.

Comment:

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¶7. (SBU) HCMC's business and government leaders warmly welcomed A/S Hernandez, and trade-delegation members described the mission as highly productive and informative. Public- and private-sector meetings revealed HCMC's enormous potential as a trade partner, in fields as diverse as plastics, lumber, and heavy machinery and also provided a sobering glimpse of some of the impediments (e.g. monopolistic tendencies of SOEs, such as EVN and VTI, and the not infrequent information disconnects between Hanoi and HCMC) to doing business in this dynamic environment. However, according to the mission's members themselves, their most dramatic take-home lessons were that there is strength in numbers, and that with focused USG support, even small U.S. firms can successfully do business in HCMC. End comment.

¶8. (U) This cable was cleared by the delegation and Embassy Hanoi.

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